

- Recommends improved oversight and expansion of VetBiz Database -

Washington, DC - U.S. Rep. John Hall (D-Dover) took action to prevent fraud in a program designed to help disabled veterans compete for government contracts. In a letter to Secretary of Veterans Affairs (VA) Erik Shinseki and the Small Business Administrator Karen Mills, Rep. Hall urged them to take decisive action to address fraud in the Service-Disabled Veteran-Owned Small Business procurement program (SDVOSB).

As reported by the General Accountability Office (GAO), the SDVOSB program has received more than 100 allegations of fraud or abuse. Of the 10 cases that the GAO investigated, worth \$100 million in government contracts, all ten are ineligible to receive SDVOSB contracts for reasons ranging from the organization not being a small business, doing no work or not being majority owned by a service-disabled veteran.

"Defrauding this program is unacceptable, and cannot be allowed to continue," Rep. Hall said. "The SDVOSB program was designed to benefit those who sacrificed for our country, and it is our responsibility to ensure that those who take advantage of it deserve to do so."

The SBA is allowed only to investigate suspected fraud if a formal protest is filed questioning the bid process. Even if the SBA finds that a contract was awarded to a fraudulent company, they are not required to cancel the contract and restart the bidding process. Additionally, the SBA and other contracting agencies have no way of confirming a business's status because no documentation proving eligibility is required in the SDVOSB process.

The GAO study makes clear that self-identifying as qualifying for the program is insufficient evidence and that additional protections are needed to ensure that this program is serving only those intended. The VA's VetBiz database is meant to serve as a source of cleared and qualified small businesses owned by service-disabled veterans. If improved and expanded to the entire federal government, it would allow the many contracting agencies across the Executive Branch to easily and quickly verify an organization's credentials. Rep. Hall is encouraging the inclusion of qualifying documentation showing a small business's eligibility for the SDVOSB program.

"I urge the VA to complete the VetBiz database of qualified small businesses as soon as possible, and open it to the rest of the federal contracting agencies," Rep. Hall said. "We must have the tools necessary to support veterans and prevent fraud."

The GAO study can be read here: <http://www.gao.gov/new.items/d10108.pdf>

Full text of Rep. Hall's letter is reprinted below.

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November 20, 2009

The Honorable Erik K. Shinseki

Secretary

Department of Veterans Affairs

810 Vermont Avenue, NW

Washington, DC 20420

The Honorable Karen G. Mills
Administrator
Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Secretary Shinseki and Administrator Mills:

I write to you today greatly concerned about the state of the Service-Disabled Veteran-Owned Small Business procurement program (SDVOSB). As you know, this program was created to use the buying power of the U.S. government to support small businesses owned by disabled veterans through federal contracts. While I applaud the intent of this program, a recent report by the General Accountability Office (GAO) has shed light on a disturbing trend of fraud and lack of oversight that must be overcome. I strongly urge the Small Business Administration (SBA) to improve its oversight of this program in order to reduce fraud. I also urge the Department of Veterans Affairs (VA) to complete the VetBiz database of qualified small businesses as soon as possible, and open it to the rest of the federal contracting agencies, so that they may have the tools necessary to implement the SDVOSB properly.

The GAO received more than 100 allegations of fraud or abuse by SDVOSB businesses before investigating 10 cases totaling approximately \$100 million in contracts. Of those cases, all ten are ineligible to receive SDVOSB contracts for reasons ranging from the organization is not a small business, does no work or is not majority owned by a service-disabled veteran. Unfortunately, the SBA and other contracting agencies have no way of confirming a business's status because no documentation proving eligibility is required in the SDVOSB process. Also, the SBA is only allowed to investigate suspected fraud if a formal protest is filed questioning the bid process. Even if the SBA finds that a contract was awarded to a fraudulent company, they are not required to cancel the contract and restart the bidding process. The SBA oversight process needs to improve.

The VA's VetBiz database is meant to serve as a source of cleared and qualified small businesses owned by service-disabled veterans. If improved and expanded to the entire federal government, it would allow the many contracting agencies across the Executive Branch to easily and quickly verify an organization's credentials. The database should also include qualifying documentation showing a small business's eligibility for the SDVOSB program. Self-identifying as qualifying for the program is insufficient evidence and we need to ensure that this program is serving only those intended.

Thank you for your attention to this important matter. The eventual goal of awarding 3 percent of federal contracts to SDVOSB's, roughly \$12 billion worth, is an admirable way of supporting small businesses and thanking our servicemen and women who were wounded in the line of duty. However, important reforms must be undertaken to ensure these contracts are being awarded only to those the program is designed for. If you have any further questions or concerns, please do not hesitate to contact Andrew Lederman, in my office, at (202) 225-5441.

Sincerely,

John J. Hall
Member of Congress